

April 2017

Economists Still See Little Evidence of Acceleration in 2H17, Lower Rate Projections

The April 2017 Bloomberg Survey of Economists shows that economists have lowered their interest rate projections despite little change in economic forecasts, unwinding part of the increase in rate expectations in March’s survey. Economists now project even more modest growth of 2.2% for the full-year 2017, down from 2.3% in the March survey, and have actually cut their forecasts for several upcoming quarters. In the absence of additional fiscal stimulus from Washington, economists appear reluctant to expect any new economic outcomes.

GDP growth for 1Q17 was revised lower from 1.9% to 1.5% on notably weaker expectations for personal consumption. After several disappointing reports on personal spending in 1Q, economists have now lowered their consumption projections from 2.0% to 1.1%. The April survey marks the second consecutive cut in consumption and GDP projections for 1Q17. Perhaps more of a concern, economists do not expect a proportionate rebound in consumption in 2Q17. Consumption is expected to grow 2.8% in 2Q, up from 2.6% in the March survey. Also included in the 1Q growth projections are a slight increase in private investment, a much improved outlook for external trade, and a slightly weaker-than-expected pace of growth for government spending.

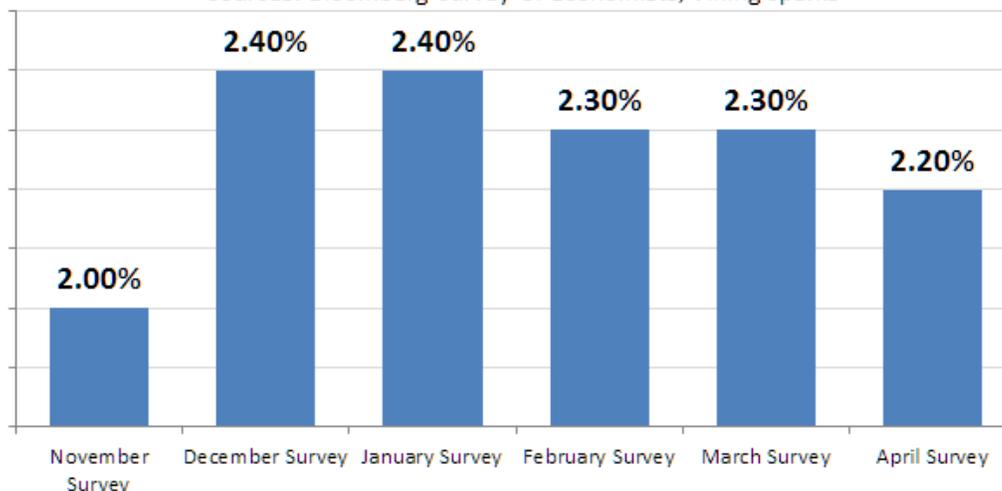
Inflation expectations were largely unchanged in the April survey with headline CPI expected to drift down from 2.6% to 2.4% by year-end. Even this path appears to be on the high side based on the incoming data on commodity prices and inflation expectations. Expectations for the labor market were generally unchanged despite the disappointing March payroll report. Payrolls are expected to grow an average of 173k per month in 2Q, 169k per month in 3Q, and 165k per month in 4Q (revised from 175k, 169k, and 160k respectively).

Likely the result of the failed effort at reforming healthcare and the subsequent fears that Washington will not be able to deliver on what was perceived to be a pro-growth agenda, economists revised their interest rate projections slightly lower. The recent geopolitical turmoil may also be affecting the projections, although those developments largely materialized after the survey period. Economists still expect the Fed to hike two more times this year with the median Fed Funds target range ending the year between 1.25% and 1.50%. The 2-year Treasury yield is projected to be approximately 10 basis points lower than in the March projections. The 2-year is expected to end 2017 at 1.80%, down from 1.89% in the previous survey. The 10-year Treasury yield is also projected to be slightly lower, ending the year at 2.85% versus the March expectations that it would end the year at 2.90%.

1Q18 GDP Projections

Trump Bump Fading

Sources: Bloomberg Survey of Economists, Vining Sparks



BLOOMBERG SURVEY OF ECONOMISTS (Economic Projections)

April 2017 Survey Results

	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Avg. 2017	Avg. 2018
GDP						
Bloomberg Forecast (April)	2.6%	2.4%	2.3%	2.2%	2.2%	2.3%
Vining Forecast (April)	2.4%	2.3%	2.6%	1.9%	2.2%	N/A
Bloomberg Forecast (March)	2.5%	2.4%	2.4%	2.3%	2.3%	2.3%
Bloomberg Forecast (February)	2.3%	2.5%	2.4%	2.3%	2.3%	2.3%
Bloomberg Forecast (January)	2.3%	2.4%	2.4%	2.4%	2.3%	2.3%
CPI YoY%						
Bloomberg Forecast (April)	2.5%	2.5%	2.4%	2.2%	2.5%	2.4%
Vining Forecast (April)	2.4%	2.3%	2.1%	2.0%	2.3%	N/A
Bloomberg Forecast (March)	2.4%	2.6%	2.4%	2.3%	2.5%	2.4%
Bloomberg Forecast (February)	2.4%	2.6%	2.3%	2.4%	2.4%	2.4%
Bloomberg Forecast (January)	2.4%	2.5%	2.4%	2.3%	2.4%	2.4%
Unemployment Rate						
Bloomberg Forecast (April)	4.6%	4.5%	4.5%	4.5%	4.6%	4.4%
Vining Forecast (April)	4.7%	4.7%	4.7%	4.7%	4.7%	N/A
Bloomberg Forecast (March)	4.6%	4.6%	4.5%	4.5%	4.6%	4.5%
Bloomberg Forecast (February)	4.6%	4.6%	4.6%	4.5%	4.6%	4.5%
Bloomberg Forecast (January)	4.6%	4.6%	4.6%	4.5%	4.6%	4.5%
Average Monthly Payrolls (000s)						
Bloomberg Forecast (April)	173	169	165	154	176	155
Vining Forecast (April)	165	165	160	160	170	N/A
Bloomberg Forecast (March)	175	169	160	151	181	150
Bloomberg Forecast (February)	171	165	165	158	171	150
Bloomberg Forecast (January)	163	158	155	150	163	148

BLOOMBERG SURVEY OF ECONOMISTS (Interest Rate Projections)

April 2017 Survey Results

	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018
Federal Funds Target Rate (Median of Upper and Lower Bounds)*						
Bloomberg Forecast (April)	1.125%	1.125%	1.375%	1.625%	1.688%	1.875%
Vining Forecast (April)	0.875%	1.125%	1.125%	1.375%	1.625%	1.625%
Bloomberg Forecast (March)	1.125%	1.125%	1.375%	1.665%	1.875%	1.875%
Bloomberg Forecast (February)	0.875%	0.875%	1.125%	1.375%	1.625%	1.625%
Bloomberg Forecast (January)	0.875%	0.875%	1.125%	1.375%	1.625%	1.625%
2-Year Treasury Rate						
Bloomberg Forecast (April)	1.44%	1.60%	1.80%	1.92%	2.18%	2.30%
Vining Forecast (April)	1.35%	1.40%	1.45%	1.50%	1.60%	1.70%
Bloomberg Forecast (March)	1.50%	1.70%	1.89%	2.01%	2.21%	2.40%
Bloomberg Forecast (February)	1.40%	1.50%	1.70%	1.82%	2.08%	2.20%
Bloomberg Forecast (January)	1.40%	1.55%	1.70%	1.85%	2.00%	2.20%
10-Year Treasury Rate						
Bloomberg Forecast (April)	2.52%	2.71%	2.85%	2.90%	3.00%	3.10%
Vining Forecast (April)	2.45%	2.50%	2.55%	2.60%	2.60%	2.60%
Bloomberg Forecast (March)	2.65%	2.80%	2.90%	3.00%	3.13%	3.24%
Bloomberg Forecast (February)	2.57%	2.70%	2.80%	2.90%	3.00%	3.16%
Bloomberg Forecast (January)	2.56%	2.65%	2.74%	2.85%	3.00%	3.15%

Source: Bloomberg; All figures are quarter-end. GDP and CPI are annualized.

*In the January 2014 Survey, Bloomberg began reporting economists' projections for the upper and lower bound for the Fed Funds Target Rate.